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FISCAL IMPACT REPORT

SPONSOR Cisneros DATE TYPED 10/6/2005 HB _____

SHORT TITLE Tax Rebate SB 1

ANALYST Francis

APPROPRIATIONS

Estimated Appropriations		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(75,500)		Non-Recurring	General Fund
	(500)		Non-Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB10
Relates to SB6

SOURCES OF INFORMATION

LFC Files
Tax and Revenue Department (TRD)

Responses Received From

Tax and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 1 sets up a rebate on the personal income tax to be mailed out immediately to all taxpayers by the secretary of the Taxation and Revenue Department (TRD). The intent of the rebate is to mitigate the recent high costs of gasoline and the expected increases in the cost of heating this winter. The rebate decreases as income rises and increases as family size increases.

The rebate is paid to any resident who files an individual NM income tax return and is not a dependent of another individual, who was not an inmate of a public institution for more than six months during tax year 2004 and was a resident on the last day of 2004. Additionally, residents who do not receive rebates can claim it on their 2005 tax return provided they were not an inmate

of a public institution for more than six months in 2005 and were residents as of the last day of tax year 2005.

FISCAL IMPLICATIONS

The cost of the rebates is \$75.5 million in direct payments administered by the secretary of the Taxation and Revenue Department. Though the bill does not state it explicitly the assumption is that the appropriation for the rebate is out of the general fund. \$500 thousand is appropriated to TRD for the administration of the payments.

The rebate is designed to provide all taxpayers with some relief. It is weighted towards larger, low income families. The minimum rebate is \$50 while the maximum is \$200 and the average is \$89 per return. The rebate is based on adjusted gross income and exemptions declared on the 2004 returns.

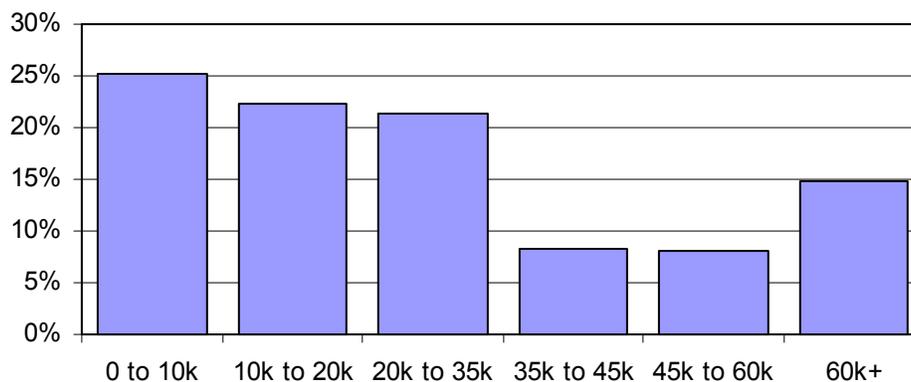
The rebate decreases as income goes up and increases as exemptions go up. For one exemption, like a single tax filer, the maximum is \$80 while the minimum is \$50 (see table).

Proposed Rebate Schedule

Adjusted Gross Income:		Number of exemptions:					
Over:	But not over:	1	2	3	4	5	6
\$0	\$10,000	\$80	\$125	\$155	\$175	\$190	\$200
\$10,001	\$20,000	\$75	\$115	\$145	\$160	\$170	\$175
\$20,001	\$35,000	\$70	\$105	\$130	\$140	\$145	\$150
\$35,001	\$45,000	\$65	\$95	\$115	\$125	\$130	\$135
\$45,001	\$60,000	\$60	\$85	\$100	\$105	\$110	\$115
\$60,001	No Limit	\$50	\$70	\$80	\$85	\$90	\$95

TRD estimates that the bulk of the rebates, almost 50%, will go to taxpayers who have less than \$20,000 in adjusted gross income (see chart).

Percentage of Total Rebate Benefits



ADMINISTRATIVE IMPLICATIONS

TRD has estimated that this will cost \$500 thousand to process and distribute the rebates to taxpayers. TRD expects they can complete the job and have all of the rebates mailed out by De-

September 15th, 2005.

TECHNICAL ISSUES

There is a provision in the bill that reduces the exemptions by one for husband and wife who have filed a joint return where only one individual is a NM resident. It is unclear how they claim the rebate if the non-resident becomes a resident in the 2005 tax year.

A similar issue arises for taxpayers who increase their exemptions (i.e. have or adopt a child) in 2005 and are theoretically entitled to an additional rebate amount.

Bill refers to “husband and wife who have filed a joint return” rather than “married individuals filing jointly” as is the convention in the Income Tax Act.

NF/lg